

China

Contributing firm

CCPIT Patent and Trademark Law Office

Author

Zhongqi Zhou

Vice President, Patent Attorney

1. Legal framework

National

To meet its international obligations, China continues to improve and amend its national trademark laws. The amendments made so far have proved beneficial to trademark owners and have given them greater opportunities to enforce their rights.

The major laws and regulations governing trademark protection in China are:

- the Trademark Law (2001);
- the Anti-unfair Competition Law (1993);
- the Regulations for Implementation of the Trademark Law (2002);
- the Provisions on the Recognition and Protection of Well-known Trademarks (2003);
- the Measures for the Registration and Administration of Collective Marks and Certification Marks (2003); and
- the Measures for the Implementation of International Registration of Marks under the Madrid Agreement

Other relevant laws and guidelines are the Trademark Review and Adjudication Rules, which were amended in October 2005, and the Trademark Examination Guidelines, which – despite having been in use since 1983 (amended in 1994) – were only made publicly available on December 31 2005. The new Trademark Review and Adjudication Rules have made quite a number of changes to the way the Trademark Review and Adjudication Board (TRAB) works. It is hoped that the new rules will increase efficiency and provide more flexibility to the parties participating in TRAB procedures.

The new Trademark Examination Guidelines, jointly released by the Trademark Office and the TRAB, outline the criteria that examiners follow when examining trademarks.

Judicial interpretations issued by the Supreme People's Court, the top judicial authority, are important components of the Chinese legal regime. These interpretations provide legally binding guidance to the courts nationwide. Since 2000 dozens of judicial interpretations on IP-related laws have been issued.

International

China is a member of:

- the Agreement on Trade-Related Aspects of Intellectual Property Rights;
- the Paris Convention for the Protection of Industrial Property; and
- the Madrid Agreement and Madrid Protocol.

It has adopted the international classification of goods and services set out in the Nice Classification.

2. Unregistered marks

Protection

Unregistered marks are not protected by the Trademark Law, with the following exceptions:

- An unregistered trademark that has been used and enjoys a certain reputation can bar registration of an identical mark (Article 31); and
- An unregistered trademark that is recognized as a well-known mark can bar registration or use of a mark that is identical or confusingly similar to that mark, including reproduction, imitation or translation of the mark, in respect of the same or similar goods and/or services (Article 13).

The application of Article 31 protection is limited to circumstances where the proposed registration covers the same or similar goods and/or services to those identified by the reputed mark.

Use requirements

Proof of prior use is decisive to the assessment of whether a mark can enjoy protection under Article 31. Article 13 protection, on the other hand, requires proof of well-known trademark status.

The following factors shall be considered in recognizing a trademark, either registered or unregistered, as a well-known mark:

- level of reputation of the trademark in the minds of the relevant sector of the public;
- duration of use of the trademark;
- duration, degree and geographical scope of any publicity for the trademark; and
- any evidence that the mark is protected as a well-known trademark in China or other jurisdictions.

Although use is only one of the factors to be considered in recognizing a trademark as a well-known mark, without real commercial use in China it is extremely difficult to recognize an unregistered trademark as a well-known mark.

3. Registered marks

Ownership

Any natural person, legal person or other organization can apply for the registration of a trademark. Co-ownership of one mark is possible.

Scope of protection

Any visually perceptible signs capable of distinguishing the source of goods and/or services, including words, devices, letters of an alphabet, numerals, three-dimensional signs, combinations of colours and combinations of such signs, are registrable as trademarks.

Signs without distinctiveness may be registered as trademarks if they have acquired distinctive

character through use and are capable of being readily identified and distinguished.

Collective marks and certification marks are allowable and geographical indications can be registered as a collective mark or a certification mark.

A registered trademark that is recognized as a well-known mark can bar registration or use of a mark that is identical or confusingly similar to that mark, including reproduction, imitation or translation of the mark, regardless of whether the goods and/or services designated by the two marks are similar.

When a mark is involved in opposition, cancellation or infringement proceedings, the mark owner may request the competent authority, such as the Trademark Office, the TRAB or a court, to recognize its mark as a well-known mark. Even if a mark is recognized as a well-known mark during the course of one procedure, it will not necessarily be protected as a well-known mark in another dispute in which the same mark is involved.

If a trademark application is filed by an unauthorized agent or representative, the true trademark owner may initiate opposition or cancellation procedures.

4. Procedures

Examination

There are three important points to bear in mind when filing an application:

- Each application can be for only one trademark in one class;
- A power of attorney signed by the applicant must be submitted with each application. However, a faxed form is acceptable; and

- If priority is claimed, a certified priority document should be submitted within three months of the date of filing.

Applications are examined as to formality and substance, including examination for relative grounds for refusal. Office actions may be issued on specification of goods. However, no office action will be issued with respect to registrability of the mark.

Amendment is possible only when required by the Trademark Office.

Applications that have passed examination will be published in the Trademark Gazette, published weekly, for opposition purposes.

It usually takes 12 to 18 months from filing to publication, if no official actions are issued and the examination process progresses smoothly.

If an application is refused, the applicant may appeal the decision to the TRAB within 15 days of receipt of the decision.

If any party is not satisfied with the decision made by the board, it may institute a legal action within 30 days of receipt of the decision.

An application may be partially refused. The applicant may appeal against such partial refusal to the TRAB. After a final decision is made, the Trademark Office will publish the application for the goods or services accepted for registration.

Opposition

Anyone can, within three months of the date of publication, file an opposition against a preliminarily approved trademark. The Trademark Office shall make a written decision on the opposition, which can be appealed to the TRAB.

If any party is not satisfied with the decision made by the board, it may institute a legal action within 30 days of receipt of the decision.

Registration

If no opposition is filed within the opposition period, or if an opposition request is denied, the trademark application will be registered and the registration will be published in the Trademark Gazette. A registration certificate will be issued to the applicant.

A registration is valid for 10 years starting from the date of registration and can be renewed indefinitely for further periods of 10 years.

Applications for renewal can be made during the six months prior to the expiration date or, subject to payment of an additional fee, within six months after the expiration date of the registration.

Removal from register

A trademark registration is vulnerable to cancellation if the trademark is not in use for three consecutive years. Use on goods, packaging or containers, or in trading documents, advertising, exhibition or other business activities, is acceptable to meet the use requirements.

The Trademark Office may cancel improper registrations on its own initiative. Any person may also request the TRAB to cancel such a registration.

A cancellation request should be filed within five years of the date of registration. However, if the registration has been made in bad faith, an owner of a well-known trademark shall not be bound by the five-year time limit.

If any party is not satisfied with the decision made by the TRAB, it may institute a legal action within 30 days of receipt of the decision.

5. Enforcement

Complexity

A unique characteristic of China's IP right enforcement mechanism is the so-called 'dual-track' system. One track is a judicial route using the courts of law; the other track is an administrative route using governmental agencies.

Infringement: Remedies are available only for registered trademarks, with the exception of unregistered well-known trademarks. Infringement is established if a mark that is identical or confusingly similar to an unregistered well-known trademark is used on identical or similar goods and/or services.

Trademark protection only covers use for identical or similar goods and/or services, except in the case of a registered trademark recognized as a well-known trademark.

Preliminary/interim injunction: If a trademark owner or an interested party has evidence to prove that another person is infringing or will infringe its trademark and that, if such an infringing act is not stopped or prevented from occurring timely, it is likely to cause irreparable damages to its right, it may, before formally lodging a complaint, request a court to issue an injunction order. Interim injunctions are also available.

Preservation of evidence: If a piece of infringement evidence is in danger of being destroyed, lost or hidden away, a trademark owner or an interested party may, before or after formally lodging a complaint, request a court to have it preserved.

Damages: Under Chinese civil law, damages should be compensatory rather than punitive.

Damages for trademark infringement may be calculated based on the profits gained by the

infringer or the losses suffered by the trademark owner. If these two methods are inappropriate, statutory damages are available.

Upon request, reasonable expenses disbursed in taking action against infringement, including partial or total attorneys' fees, may be incorporated into damages awarded.

Any person unknowingly selling counterfeit goods shall not be liable to pay damages to the trademark owner if he can prove that he obtained the goods from a legitimate channel and can identify the supplier.

Criminal penalties: If a person, without authorization, uses a trademark that is identical to a registered trademark with respect to identical goods, knowingly sells counterfeit goods, or makes or sells fake representations of a registered trademark, he will be subject to criminal sanctions if his illegal turnover reaches the threshold for applying such sanctions. He may also be required to pay damages to the trademark owner.

Infringers may be subject to a maximum of seven years' imprisonment.

Judicial or administrative action: The state and local administrative authorities for industry and commerce play an important role in cracking down on trademark infringement.

The authorities are empowered to:

- question the accused infringer;
- examine documents such as contracts, invoices and account books;
- search the premises of the accused infringer;
- seize the facilities involved in the infringement;
- freeze assets of the accused infringer;
- issue an injunction order;
- confiscate and destroy counterfeit goods and the facilities specifically used in the infringement; and
- impose a penalty.

If the infringement is found to be so serious as to have constituted a crime, the case shall be transferred to a competent judicial authority for criminal investigation. The trademark owner may also request a judicial authority to be involved.

In comparison with court procedures, administrative procedures are more time efficient and cost effective, especially for clear-cut cases. If damages are sought seriously, however, the judicial route should be used since the administrative authority is not authorized to award damages. The authority may mediate the amount of damages upon request of the parties concerned. If mediation does not work, the trademark owner may initiate court proceedings against the infringer in accordance with civil procedural rules.

Jurisdiction: Jurisdiction in a trademark infringement case can arise in the place where:

- the infringing act is conducted;
- the infringing products are stored;
- the infringing products are confiscated or seized; or
- the infringer has its domicile.

The courts of first instance that can hear trademark infringement cases are intermediate courts or courts at a higher level and select basic courts, depending on the damages claimed.

For administrative resolution, the complaint should be submitted to the administrative authority for industry and commerce in the place where the infringement takes place.

Appeal: A decision made by a first instance court can be appealed to a higher court, which will make a final decision. The statutory time limit for an appeal is 30 days from the date on which a written judgment is served for foreigners having no residence in China.

A decision of the administrative authority on infringement can be appealed to a court in accordance with administrative procedural rules within 15 days of receipt of the decision.

Border enforcement: The Chinese Customs Law forbids the import or export of goods infringing the IP rights protected by Chinese law, such as patents, trademarks and copyrights.

To enjoy border control protection, a trademark owner may record its registration with the Customs General Administration, although this is not mandatory for the administration to take border control actions. A recordal is valid for 10 years and can be renewed subject to the validity of the trademark registration.

Timeframe

When trademark infringement cases are litigated before a court, it takes about six months to one year to obtain a first instance judgment. It may take another six months to one year to obtain a second instance judgment, if an appeal is lodged.

An administrative authority may make a raid against an infringer immediately upon request. However, if the alleged infringer initiates legal proceedings in a court against the decision made by the administrative authority, the administrative route may lose its advantage of timeliness.

6. Ownership changes - legalization requirements

Assignment

To assign a registered trademark or a trademark application, a written trademark assignment agreement must be signed by the assignor and assignee and recorded with the Trademark Office. The trademark owner must assign all of its identical or similar registered and/or

pending trademarks to one party at the same time, with respect to identical or similar goods and/or services.

An assignment will not take effect until recordation is approved and announced by the Trademark Office.

Licensing

According to the Trademark Law, a licence contract of a registered trademark should be recorded with the Trademark Office within three months of execution.

According to a judicial interpretation issued by the Supreme People's Court, a licence contract is valid and enforceable between the parties concerned without recordation, unless otherwise agreed.

7. Areas of overlap with related rights

Conflicts between different types of IP rights are unavoidable. Of particular importance is the overlap between trademark rights and design patents or company names.

Perhaps as a result of the lack of substantive examination, there have been a number of bad-faith applications for design patents copying well-known trademarks (both Chinese and foreign-registered marks have been affected). Unfortunately, if a cancellation request against a design patent is lodged with the Patent Office on the grounds of a prior right other than a design patent, a court judgment or a decision made by an administrative authority affirming the prior right is required as precondition of acceptance of the request.

According to a judicial interpretation issued by the Supreme People's Court, trademark infringement is established if anyone uses

distinctive words that are identical or similar to another's registered trademark as its own company name and uses the company name on goods identical or similar to those covered by the registered trademark, creating a likelihood of confusion among the relevant consumers.

8. Online issues

Disputes arising from registration or use of domain names can be submitted to courts or a domain name dispute resolution service provider authorized by the China Internet Network Information Centre, which is charged with managing China's '.cn' country-code top-level domain. Currently, there are two such service providers: the Domain Name Dispute Resolution Centre of China International Economic and Trade Arbitration Commission in Beijing and the Hong Kong International Arbitration Centre.

According to a judicial interpretation issued by the Supreme People's Court, registration or use of a domain name constitutes infringement or unfair competition if the following criteria are satisfied simultaneously:

- The civil rights and interests for which the plaintiff seeks protection are legitimate and enforceable;
- The defendant's domain name or the main part thereof constitutes a reproduction, imitation, translation or transliteration of a well-known trademark of the plaintiff, or is identical or confusingly similar to a registered trademark or domain name of the plaintiff;
- The defendant does not enjoy any rights or interests in the domain name or the main part thereof, nor have any justifiable reasons for registration or use of the domain name; and
- The defendant has registered and is using the domain name in bad faith.

With reference to the last criterion outlined above, bad faith will be established in the following cases:

- registration of a well-known trademark of another person as his own domain name for commercial purposes;
- registration or use, for commercial purposes, of a domain name identical or confusingly similar to a registered trademark or domain name of the plaintiff with the intention of misleading internet users visiting the relevant website;
- offering the domain name for sale or rental at a unreasonable price; or
- neither using nor being prepared to use the domain name after the registration thereof, but intentionally preventing the right holder from registering it.